

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 CIAE-00 PM-04 INR-07 L-03

ACDA-05 NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06

TRSE-00 SAJ-01 DODE-00 SEC-01 FRB-03 OMB-01 COME-00

H-02 /066 W

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R 141153Z JAN 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 5642

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO

USNMR SHAPE

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USNATO AND USNMR FOR AMBASSADOR CARLUCCI

E.O. 11652: N/A

TAGS: EFIN, PO

SUBJECT: REOPENING OF LISBON STOCK EXCHANGE

1. BEGIN UNCLASSIFIED. THE LISBON STOCK EXCHANGE, WHICH HAD BEEN CLOSED SINCE APRIL 1974, REOPENED JANUARY 12, 1976, FOR TRANSACTIONS IN PREVIOUSLY-ISSUED, FIXED-INCOME SECURITIES, PRINCIPALLY GOVERNMENT BONDS. EXCHANGE WILL BE OPEN THREE DAYS A WEEK UNTIL FURTHER NOTICE. STOCK OPERATIONS ARE PROHIBITED FOR TIME BEING. END UNCLASSIFIED.

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2. COMMENT: NUMEROUS PURCHASE INQUIRIES WERE MADE, ESPECIALLY BY INSTITUTIONAL INVESTORS, BUT VERY FEW SALES WERE REPORTEDLY COMPLETED. PRICES OPENED RELATIVELY FIRM WITH AN IMPLICIT AVERAGE RETURN OF ABOUT 6.3 PERCENT. PRICE STABILITY EXPLAINED
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LARGELY BY LACK OF SALES OFFERS. THIS LACK REFLECTS CONSCIOUS

GOVERNMENT POLICY TO AVOID SHARP PRICE DECLINE, WHICH MOST OBSERVERS HAD EXPECTED. GOP ABLE TO CONTAIN SALES OFFERS BECAUSE COMMERCIAL BANKS AND OTHER GOVERNMENT-MANAGED INSTITUTIONS HOLD VAST MAJORITY OF OUTSTANDING BONDS.

3. VERY FEW OBSERVERS EXPECT REOPENING OF EXCHANGE TO GENERATE SIGNIFICANT SALES FOR THE PRESENT. GOVERNMENT HAD TWO BASIC OBJECTIVES IN REOPENING MARKET. FIRST, TO REESTABLISH INSTITUTIONAL STRUCTURE TO HANDLE HOPED-FOR REVIVAL OF MARKET IN COMING MONTHS, A REVIVAL GOP MAY PROMOTE BY INDEXING FUTURE BOND ISSUES. SECOND, EXCHANGE REOPENING IS DESIGNATED TO SIGNAL TREND IN GOP ECONOMIC/FINANCIAL POLICY. AS ONE GOVERNMENT OFFICIAL NOTED TO US: "NO EASTERN EUROPEAN COUNTRY HAS A STOCK EXCHANGE."

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